

## Message Text

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ACTION ARA-06

INFO OCT-01 SS-14 ISO-00 NSC-05 NSCE-00 SP-02 PM-03 INR-05

CIAE-00 DODE-00 L-01 EB-03 TRSE-00 PRS-01 SY-02 SSO-00

/043 W

-----270125Z 058386 /63

R 262358Z JAN 77

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 9918

C O N F I D E N T I A L SECTION 1 OF 2 MEXICO 0959

LIMDIS

E.O. 11652: GDS

TAGS: PFOR, MX US, EGEN

SUBJ: CARTER/LOPEZ-PORTILLO MEETING

REF: (A) MEXICO 0907 (B) MEXICO 910

1. SUMMARY: PRESIDENTAL ADVISOR RAFAEL IZQUIERDO OUTLINED TO ME GENERAL OBJECTIVE OF JLP TRIP TO WASHINGTON AND SUGGESTED THAT SOME GOM OFFICIALS MAKE AN ADVANCE TRIP TO WASHINGTON TO WORK ON DETAILS. END SUMMARY.

2. I LUNCHEDED WITH PRESIDENTAL ADVISOR RAFAEL IZQUIERDO ON JANUARY 25, IN ORDER TO GET SOME IDEAS ON WHAT GOM AND PRESIDENT LOPEZ-PORTILLO WANTED TO GET OUT OF THEIR WASHINGTON TRIP. IZQUIERDO HAD DISCUSSED HIS MEETING WITH ME WITH PRESIDENT AND HIS VIEWS REFLECT THE PRESIDENT'S THINKING. WHILE HIS VIEWS ARE INCORPORATED IN REFTELS I BELIEVE A MORE DETAILED ACCOUNT OF OUR CONVERSATION WOULD BE OF INTEREST.

3. IZQUIERDO SAID THAT JLP WANTED TO ESTABLISH A PERSONAL RELATIONSHIP WITH THE PRESIDENT, AND SOME KIND OF MECHANISM FOR CONSULTATION AND COORDINATION BETWEEN THE TWO  
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COUNTRIES THAT WOULD TAKE INTO ACCOUNT THE BROAD RANGE OF BILATERAL PROBLEMS. THESE INCLUDE, HE SAID, DRUGS, ILLEGAL MIGRATION, TOURISM, FINANCES AND TRADE. HE EMPHASIZED THAT IT WAS NECESSARY TO TAKE THE FULL RANGE OF BILATERAL ISSUES INTO ACCOUNT WHEN ADDRESSING A SINGLE ISSUE. THIS WOULD AVOID THE PROBLEM OF THE MULTIPLE BUREAUCRACIES OF EACH SIDE DISCUSSING BILATERAL PROBLEMS

IN ISOLATION. HE SUGGESTED THAT WORKING GROUPS COULD DISCUSS THE TECHNICAL ISSUES, PRESUMABLY UNDER SOME KIND OF CENTRAL GUIDANCE. AS AN EXAMPLE, HE MENTIONED THE POSSIBILITY OF A WORKING GROUP THAT COULD DISCUSS TOMATOES AND REACH A MUTUALLY SATISFACTORY AGREEMENT FOR MORE REGULARIZED MARKETING.

4. IZQUIERDO INDICATED THAT GOM DID NOT FAVOR A FORMAL JOINT COMMISSION, BUT ENVISAGED A MORE INFORMAL ARRANGEMENT. IN MEXICO HE SAID, THE PRESIDENT WOULD COORDINATE BILATERAL RELATIONS WITH THE U.S. I ASKED HIM WHAT WOULD HAPPEN IF THE PRESIDENT WERE OUT OF THE CAPITAL WHEN A MATTER REQUIRING IMMEDIATE ACTION AROSE. HE RECOGNIZED THE NEED FOR A SECOND-LEVEL COORDINATOR. I REMINDED IZQUIERDO THAT OUR GOVERNMENT COULD PROBABLY NOT ACHIEVE THE SAME TYPE OF COORDINATION THAT THE GOM COULD IN OUR BILATERAL RELATIONS.

5. WHEN ASKED HOW HE VIEWED MEXICO'S PROBLEMS, IZQUIERDO NOTED THE IMMEDIACY OF THE DRUG AND TOURISM PROBLEMS, BUT IDENTIFIED THE FINANCIAL PROBLEM AS BEING KEY IN THE SHORT-TERM. IF MEXICO CANNOT OBTAIN ADEQUATE FINANCIAL RESOURCES IN THE SHORT-TERM, NOTHING CAN BE DONE ON OTHER PRESSING ISSUES, HE SAID. HE RECOGNIZED THAT MARSHALL PLAN TYPE ASSISTANCE WAS NOT FEASIBLE AND IMPLIED THAT THE GOM MIGHT WANT USG SUPPORT IN URGING U.S. BANKERS TO EXPAND THEIR EXPOSURE IN MEXICO. WHILE EMPHASIZING THAT MEXICO WOULD NOT RENEGE ON ITS FOREIGN OBLIGATIONS, HE NOTED THAT GOM HAS HAD CONFIDENTIAL

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SOME DIFFICULTIES IN ROLLING-OVER DEBT. HE WAS NOT EXPLICIT AS TO WHAT KIND OF ASSISTANCE THE U.S.G. COULD GIVE MEXICO IN ITS EFFORTS TO ROLL OVER MATURING DEBT AND RAISE NEW DEBT, BUT SAID THAT WHILE MEXICO'S SHORT-TERM PROSPECTS WERE NOT FAVORABLE, THE MEDIUM TERM PROSPECTS WERE. HE IMPLIED THAT PUBLIC STATEMENTS BY USG OFFICIALS AND PRIVATE STATEMENTS TO THE FINANCIAL COMMUNITY ALONG THESE LINES WOULD BE HELPFUL. HE EXPRESSED CONCERN ABOUT U.S. BANKERS' FEARS OF POSSIBLE COMPTROLLER OF THE CURRENCY ACTION AGAINST LOANS TO MEXICAN ENTITIES.

6. IZQUIERDO SAID THAT THE AGREEMENT WITH THE IMF WOULD HAVE TO BE RENEGOTIATED. HE SAID THIS WOULD BE APPARENT SOON AFTER MARCH WHEN SOME OF THE QUARTERLY TARGETS IN THE AGREEMENT WERE NOT ATTAINED. THE GOM, HE NOTED, WOULD NOT WANT TO BEGIN NEGOTIATIONS UNTIL LATER IN THE YEAR IN ORDER NOT TO UPSET THE FRAGILE CONFIDENCE THAT NOW EXISTS. IN THIS REGARD HE SAID THAT

A SMALL GROUP WOULD BE GOING TO WASHINGTON SOON IN ORDER TO HAVE SOME DISCUSSIONS WITH THE FUND STAFF AND THAT THIS GROUP WOULD LIKE TO HOLD DISCUSSIONS WITH SOME OF THE NEW OFFICIALS IN THE USG.

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ACTION ARA-06

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CIAE-00 DODE-00 L-01 EB-03 TRSE-00 PRS-01 SY-02 SSO-00  
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TO SECSTATE WASHDC 9919

C O N F I D E N T I A L SECTION 2 OF 2 MEXICO 0959

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7. TRADE AND EMPLOYMENT PROBLEMS WERE MEDIUM- TERM. IN THIS CONNECTION, HE NOTED THE NEED TO INCREASE FOREIGN DIRECT INVESTMENT AND CITED THE SIGNING ON JANUARY 24 OF A CONTRACT WITH DEGOLYER AND MCNAUGHTON TO MEASURE MEXICO'S OIL RESERVES SEE 76 MEXICO 15994. GOM HOPES TO HAVE THE SURVEY COMPLETED BY MARCH 18, THE ANNIVERSARY OF THE 1938 OIL EXPROPRIATION. THE RESULTS OF THIS SURVEY, HE SAID, SHOULD ENCOURAGE FOREIGN INVESTMENT IN PETRO-CHEMICAL INDUSTRY AS WELL AS TO REASSURE FOREIGN BANKERS. EMPLOYMENT, HE NOTED, WAS A MEDIUM AND LONG-TERM OBJECTIVE. IN THIS REGARD, HE MENTIONED THE POSSIBILITY OF EXPORTING INDIVIDUALS WHO COULD PROVIDE SOME KIND OF SKILLED SERVICES, SUCH AS BILINGUAL NURSES AND TEACHERS IN THE SOUTHWEST. ILLEGAL IMMIGRANTS WHO REMAIN UNSKILLED LABORERS ARE A MUTUAL PROBLEM. CHICANOS CAN BE SUBJECTED TO AGITATORS FROM BOTH SIDES OF THE BORDER, MAKING THIS GROUP A DANGER TO BOTH COUNTRIES. IZQUIERDO REMARKED THAT LABOR WAS THE MAIN SUPPORT OF THE PRI, AND THAT MEXICAN AND U.S. LABOR ORGANIZATIONS HAD CLOSE RELATIONS.

8. IZQUIERDO SUGGESTED THAT IT MIGHT BE DESIRABLE FOR SOME GOM OFFICIALS TO MAKE AN ADVANCE TRIP TO WASHINGTON  
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TO DISCUSS THE AGENDA FOR THE JLP TRIP, WITH THE IDEA, I PRESUME, OF FLESHING OUT SOME OF THE IDEAS THAT HE PROPOSED TO ME, LAYING GROUNDWORK FOR A SUCCESSFUL VISIT AND MAKING IT POSSIBLE FOR THE PRESIDENTIAL CONVERSATIONS TO BE MORE SPECIFIC. I WOULD RECOMMEND THAT SUCH A TRIP BE MADE. I TOLD IZQUIERDO THAT I'D GET BACK TO HIM WITHIN SEVERAL DAYS, AFTER HEARING THE VIEWS OF THE DEPARTMENT ON THIS.

9. SEPARATE CABLES ARE BEING SENT ON MEXICAN-SPANISH RELATIONS AND TECHNICAL ASPECTS OF THE VISIT.  
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